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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 1689

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

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C O N F I D E N T I A L ASHGABAT 001344

SIPDIS

STATE FOR SCA/CEN, EEB

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SUBJECT: TURKMENISTAN: MIDLAND OIL AND GAS PURSUING SERVICE CONTRACTS AND OFFSHORE BLOCKS

REF: ASHGABAT 1341

Classified By: Charge d'Affaires a.i. Sylvia Reed Curran for reasons 1. 4 (B) and (D).

¶1. (C) SUMMARY: The local agent for Midland Oil and Gas ("Midland"), a UK entity based in New York, said Midland is close to concluding an agreement to provide drilling rigs worth USD 400 million to Turkmen Oil. The company is also looking for an operating partner to develop three offshore blocks. While an attractive package of high technology equipment and training might be enough to close the drilling rig deal, prospects for the offshore project appear to be long-term at best. END SUMMARY.

¶2. (C) On October 8, poloff met with Midland's local agent, Archinhan Bayramgeldyev, to discuss Midland's activities in Turkmenistan. According to its website, Midland is an "energy venture born of a Swiss financial company," founded in the UK, focused on Turkmenistan, with its sole office in New York. The company have been active in Turkmenistan for two years and registered with the Turkmenistan government in June 2008. Bayramgeldyev, a lawyer, makes arrangements for Midland officials when they visit Turkmenistan. He said New York-based Midland Chairman and President Robert Murphy has met with President Gurbanguly Berdimuhamedov on three occasions, including once in New York during UNGA in 2007. Initially, Midlands' efforts in Turkmenistan involved representing a consortium of South Korean companies, including LG and Hyundai. Bayramgeldyev said that after an introductory meeting took place with President Berdimuhamedov, the South Korean companies began to deal directly with the Turkmen. Currently, Midland works only on its own behalf and, at a subsequent meeting with President Berdimuhamedov, Murphy was given verbal assurances of favorable consideration by the President.

¶3. (C) Midland is pursuing two projects in Turkmenistan. One involves a servicing agreement with Turkmen Oil to provide 20 drilling rigs, custom designed and built for local conditions, with a value of USD 400 million. Midland would arrange for U.S. suppliers to be subcontractors to provide the equipment and expertise. Bayramgeldyev said Midland submitted the proposal in April 2008. He highlighted that it includes a provision for training of local staff in the new

technologies that will be delivered. The proposal has been approved by both Turkmen Oil's technical specialists and by the head of Turkmen Oil Garyagdy Tashliyev, and awaits Cabinet of Ministers Deputy Chairman Tachberdi Tagiyev's signature. Bayramgeldyev said he expected the signing of the agreement to take place during the next couple of weeks.

¶4. (C) A second project, undertaken "at the suggestion of President Berdimuhamedov," involves the development of three offshore blocks. Bayramgeldyev said the identity of the blocks was a commercial secret, but mentioned that it would be a 25-year project involving a five billion dollar investment. Midland would bring financing to the project, but it still needs to find an operating partner.

¶5. (C) COMMENT: Given the current turbulence in world financial markets, Midland's position as a financial intermediary and deal maker may be limited in the short-term.

The company itself is feeling a financial squeeze and is keeping expenses to a minimum (reftel). On the other hand, it may have found a window of opportunity as a supplier in dealing with Turkmen Oil by promising new technology and training for locals, two GOTX priorities. END COMMENT.

CURRAN